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Health Insurance Reform Approved

Patterson measure clears Senate; heads to governor's desk

LANSING – Proclaiming a victory for workers and small businesses, the state Senate approved a measure to reform small group market health insurance designed to encourage economic growth by creating more pricing competition among insurance carriers.

“Small businesses need help now to deal with double-digit cost increases in health insurance premiums,” said Sen. Bruce Patterson, R-Canton, sponsor of SB 460. “Small businesses simply cannot continue to absorb premium increases like those experienced during the last five years. Inaction is not an option.”

The bill incorporates many changes developed by the National Association of Insurance Commissioners. Those changes proved effective in other states, including the essential mechanism: “rate bands” used to bring stability to the small group risk pool.

However, this bill also addresses the unique nature of Michigan’s small group market by recognizing that aging demographics have a profound impact.

One of the Legislature’s primary concerns was the abusive practice of “cherry picking”. “Cherry picking” is the scheme by which insurance providers insure young, healthy worker over older, less healthy workers. “Cherry picking” results in the older, less healthy workers being pushed onto Blue Cross Blue Shield of Michigan (BCBSM) - Traditional, the insurer of last resort. This practice results in the rising costs of everyone’s health insurance.

Commercial carriers can continue to use health status as a factor in determining premium rates, as well as age, industry and group size, within an established rate band. BCBSM can continue to use age, industry and group size in determining premium rates, within an established rate band.

The legislation retains BCBSM status as the insurer of last resort. BCBSM will continue to offer coverage to individuals year-round regardless of their medical condition. BCBSM will also maintain its nonprofit status.

A coalition of business associations and local chambers of commerce representing more than 70,000 small businesses supported the legislation.